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C O N F I D E N T I A L LILONGWE 000906

SIPDIS

STATE FOR AF/S MELINDA TABLER-STONE  
TREASURY FOR INTERNATIONAL AFFAIRS/AFRICA/BEN CUSHMAN  
STATE FOR EB/IFD/ODF LINDA SPECHT

E.O. 12958: DECL: 10/13/2015

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SUBJECT: AL QAIDA MADE ME DO IT: GONDWE'S TALL STORY ON  
FERTILIZER

Classified By: Econoff W. Taliaferro for reasons 1.4 b/d

1. (U) In the midst of a raucous parliamentary debate on October 12 over the food and fertilizer situation in Malawi, Finance Minister Goodall Gondwe was asked to explain delays in getting fertilizer imported and distributed to depots around the country. He said the GOM had sealed a fertilizer deal with a broker in Saudi Arabia some time ago, but that the government's bank, Citibank, had refused to put the transaction through, citing an alleged connection between the broker and Al Qaida. When asked to name the broker, Gondwe said he had forgotten the name. The local press has since picked up the story and passed it, via a famously excitable Malawian stringer, to Reuters and BBC.

2. (C) When Embassy followed up with the Ministry, we got no substantive response. The reason for this became clear when we contacted Citigroup's South Africa-based country manager for Malawi, who is handling the GOM's letters of credit for fertilizer purchases. Gondwe, under extreme pressure to justify poor execution on the purchases, appears to have simply made up the story on the spot.

3. (C) As Citigroup explains it, the GOM is dealing with two Saudi middlemen on the fertilizer deals: Avignon Holdings and Pioneer Chemical Factory. These brokers have sourced the fertilizer in Ukraine and Thailand, and are still involved with issuing letters of credit. Citigroup claims to have checked out the middlemen thoroughly before proceeding with the deal. In any case, there have been no delays in processing purchases on account of suspected terrorist connections. Citigroup has assured us that, had such a connection been found, it would have been reported to the USG and not discussed with the GOM. This incident has been the subject of a certain amount of warm communication between the Johannesburg and New York offices of Citigroup since the story hit Reuters wires last night.

4. (C) COMMENT: This incident reflects both the intense pressure the administration is under to perform on food and fertilizer distribution and the lengths to which the most credible figures in the government have been driven to justify their poor performance. (This poor performance, mainly on the part of the agriculture ministry and the Admarc parastatal, contrasts sharply with Gondwe's brilliant execution of fiscal reform, which has taken the country back in the good graces of the IMF in one year.) The past three days of parliamentary debate have been heated nearly to the point of fisticuffs, and the GOM is groping for explanations.

The opposition is showing little willingness to listen to these explanations and even less to work on a solution. Since no one cares about real causes and effects, Gondwe may reason, he may as well make the story a good one.

EASTHAM